

FOR Outskirts of Salversville, Magoffin Co and
Royalton

Community, Town or City

P.S.C. KY. NO. 1

SHEET NO. 9

B.T.U. Gas Company, Inc.
(Name of Utility)

CANCELLING P.S.C. KY. NO. _____

SHEET NO. _____

CONTENTS

GAS COST RECOVERY ADJUSTMENT CLAUSE

Determination of GCR

The Company shall file a quarterly report with the Commission which shall contain an updated Gas Cost Recovery Rate (GCR) and shall be filed at least thirty (30) days prior to the beginning of each calendar quarter. The GCR shall become effective for billing for service rendered on or after the first day of each calendar quarter.

The Gas Cost Recovery Rate is comprised of:

1. The expected gas cost component (EGC) on a dollar-per-Mcf basis, which represents the average expected cost of purchased gas.
2. The Actual Cost Adjustment (ACA), on a dollar-per-Mcf basis, compensates for over- or under-collection of gas cost resulting from differences between expected gas cost and the actual cost of gas. For purposes of determining the GCR, the ACA for the application period shall equal the sum of the ACA for the reporting period and for the three (3) preceding calendar quarters. This may also be used to compensate for any over or under recoveries remaining from previous actual and/or refund adjustments after a 12 month period.
3. The supplier refund adjustment (RA) on a dollar-per-Mcf basis, which reflects the refunds received from suppliers during the reporting period plus interest at a rate equal to one-half of one percent below the average 90-day commercial paper rate for the twelve-month period. In the event of any large or unusual refunds, the Company may apply to the Public Service Commission for the right to depart from the refund procedure herein set forth.

DATE OF ISSUE August 25, 2011
Month / Date / Year

DATE EFFECTIVE September 25, 2011

ISSUED BY Robert Oxford Robert Oxford
Month / Date / Year
(Signature of Officer)

TITLE Court Appointed Operator US Bankruptcy Court Order 10-70767
TNW August 11, 2011

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

FOR Outskirts Salyersville, Magoffin Co. and
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P.S.C. KY. NO. _____

_____ SHEET NO. 10 _____

B.T.U. Gas Company, Inc
(Name of Utility)

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_____ SHEET NO. _____

RULES AND REGULATIONS

GAS COST RECOVERY ADJUSTMENT CLAUSE

(Continued)

Billing

The gas cost recovery rate to be applied to bills of customers shall equal the sum of the following components:

$$\text{GCR} = \text{EGC} + \text{RA} + \text{ACA}$$

The GCR will be added to or subtracted from the tariff rates prescribed by the Commission Order on the Company's latest general rate case or last legally effective rate and will be included in the tariff rates stated on each applicable rate sheet within this tariff.

Definitions

For the purposes of this tariff:

a. "Average Expected Cost" is the cost of purchased gas which results from the application of supplier rates currently in effect, or reasonably expected to be in effect during the calendar quarter, on purchased volumes for the most recently available twelve-month period, divided by the corresponding sales volume. In the event that line loss exceeds 5 percent, purchased volumes for the twelve-month period shall be calculated as: sales volumes - .95. Where the calculations require the use of volumes used during a given period, and those volumes did not exist for a particular source for the entire period, or the Company expects the volumes to change substantially, the Company may make appropriate adjustments to its calculations. Any adjustments of this type shall be described in the quarterly Gas Cost Recovery Report.

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GAS COST RECOVERY ADJUSTMENT CLAUSE

(Continued)

b. "GCR" means the quarterly updated gas cost recovery rate and is the sum of the expected gas cost component plus the supplier refund adjustment plus the actual cost adjustment; i.e., $GCR = EGC + RA + ACA$

c. "Calendar Quarters" means each of the four three-month periods of (1) January, February, and March; (2) April, May, and June; (3) July, August, and September; (4) October, November, and December.

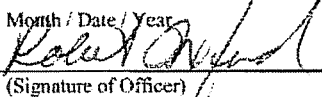
d. "Reporting Period" means the three-month accounting period that ended approximately sixty (60) days prior to the filing date of the updated gas cost recovery rates, i.e., the calendar quarters ended March 31, June 30, September 30, and December 31 of each year.

Interim Gas Cost Adjustment

The Company may apply to the Public Service Commission for an interim GCA in addition to the quarterly GCA should any significant change in supplier rates occur.

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